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Fast Facts on the California's International Economy

Compiled by: Assembly Committee on Jobs, Economic Development, and the Economy
V. Manuel Perez, Chair

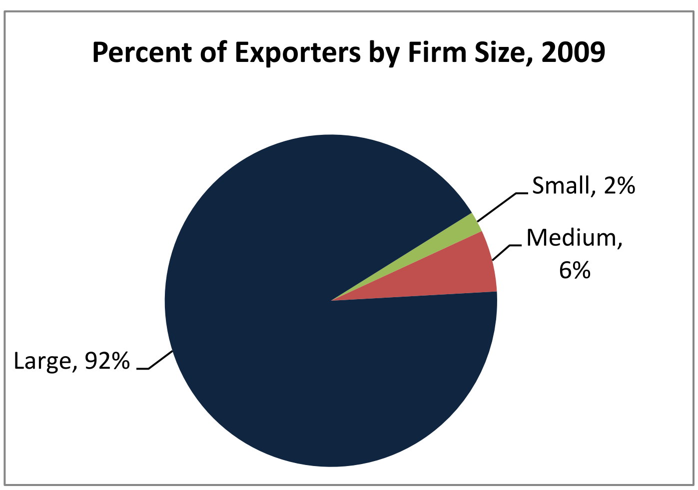
California is one of the ten largest economies in the world with a 2010 gross state product (GDP) of $1.9 trillion.[1] Exports out of California were valued at $143 billion in 2010 and represented 11.2% of total US exports.[2] Imports into California were valued at $327 billion in 2010 and represented 17.1% of total US imports.[3] As a state, California ranks second, behind Texas, in value of two way trade.[4]

California and World Markets

- California's largest export market is Mexico, where the value of exports totaled $20.9 billion in 2010. After Mexico, California's top export markets in 2010 were: Canada ($16.2 billion), China ($12.5 billion), Japan ($12.2 billion), and South Korea ($8.0 billion).[5]
- California exports are up from 2009 ($120 billion) but down from 2008 ($144 billion).[6]
- California's top five exports in 2010 were: Computer & Electronic Products ($43 billion); Machinery, Except Electrical ($14 billion); Transportation Equipment ($12 billion); Chemicals ($11 billion); and Miscellaneous Manufactured Commodities ($11 billion).[7]
- China is the largest source of imports into California; the 2010 value of Chinese imports was $133 billion. China is followed by Japan ($41 billion); Mexico ($33 billion); Canada ($23 billion); and South Korea ($12 billion).[8]
- California's top five imports in 2010 were: Computer & Electronic Products ($107 billion); Transportation Equipment ($49 billion); Oil & Gas ($21 billion); Miscellaneous Manufactured Commodities ($19 billion); and Apparel & Accessories ($17 billion).[9]
- As global demand recovered from the financial crisis, increased trade volumes in 2010 compensated for nearly all losses in 2009 according to the Kyser Center for Economic Research.[10]

Trade and Jobs

- A total of 59,998 companies exported good from California in 2008. 96% of those companies (57,461) were small and medium-sized enterprises with fewer than 500 employees.[11]



- Exports supported 22.9% of all California manufacturing jobs in 2009.[12]
- Small and medium-sized companies generated 44% of California's total exports of merchandise in 2008, the seventh highest percentage among the states.[13]
- Small and medium-sized companies represent 32.8% of the export value of U.S. goods' exports.[14]

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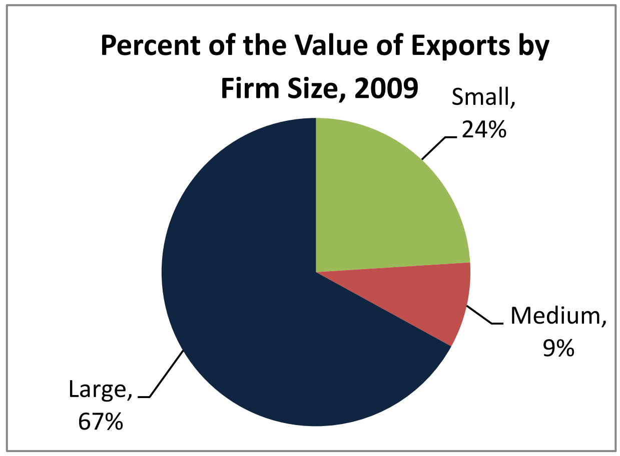
- Less than one percent of American companies export. According to the International Trade Administration (ITA), this percentage is significantly lower than all other developed countries. Of the companies that do export, 58% export to only one country.[15]



Trade Partners and Free Trade Agreements

- Countries that have signed a Free Trade Agreement (FTA) with the U.S. make up 9% of the World GDP and represent 41% of U.S. exports. Exports to FTA countries grew at a faster rate (23% annually) than exports to the rest of the world (20%) from 2009 to 2010.[16]

- The U.S. has active FTAs with 20 countries; Australia, Bahrain, Chile, Canada, Costa Rica, Colombia, Dominican Republic, El Salvador, Guatemala, Honduras, Korea, Mexico, Nicaragua, Panama, Israel, Jordan, Morocco, Oman, Peru and Singapore..[17]

- South Korea is California's fifth largest trading partner, and a major purchaser of Computers and Electronic Products; Machinery; and Transportation equipment, California's top three exports. The South Korea FTA (KORUS) eliminates tariffs in these industries potentially providing a competitive boost to California exports.[18] At the same time, however, the removal of protective barriers under KORUS will expose domestic producers and manufacturers to South Korean products. The Economic Policy Institute reported that rising Korean imports could displace up to 159,000 U.S. jobs by 2015.[19]

- While exports to Japan have grown over the past two years (California's 4 largest trading partner), they are expected to drop in 2011 in the wake of the tsunami and nuclear crisis. Starting in late 2011 and continuing through 2012, however, exports are expected to pick up as reconstruction gets underway.[20]

California's Trade Infrastructure

- The President's National Export Initiative identifies improvements to US transportation and supply chain infrastructure as critical to enabling exporters to get their good to ports quickly and inexpensively.[21]

- The Port of Los Angeles continued to hold the top rank in terms of two-way trade in 2010 (valued at $237 billion). It is followed by JFK International Airport ($162 billion) and the port of Chicago ($135 billion). Data on California's other major ports are as follows: Long Beach ($89 billion, ranked 9th); LAX ($77 billion, ranked 12th); San Francisco International Airport ($50 billion, ranked 18th)[22]; Port of Oakland ($40 billion, ranked 25th); Otay Mesa Station ($31 billion);[23] and Calexico-East ($10 billion. In terms of container activity the Los Angeles-Long Beach container port ranked 6th globally, behind Shanghai, Singapore, Hong Kong, Shenzhen and Busan.[24]

- Southern California's share of West Coast tonnage rose from 58.8% to 59.3% in 2010. Northern California's share decreased over the same period from 11.1% to 10.2%.[25]

- Border crossing delays between Mexico and the U.S along the Imperial County – Baja California border accounted for an estimated output loss of $1.4 billion and 11,600 lost jobs nationally due to reduced output in 2007. In California losses were estimated at $436 million and 5,639 jobs.[26]

- If border delays continue to grow, economic losses on both sides of the border will more than double by 2016. The output loss in Imperial Valley – Mexicali region will reach $1.52 billion and result in a loss of nearly 17,000 jobs according to HDR|HLB Decision Economics.[27]

- U.S. firms with significant business passing through the three Imperial Valley ports of entry report that their logistics-supply chain is highly time sensitive. Long wait times at border crossings result in delays in receiving intermediary goods and ultimately lead to in problems in the manufacturing chain.[28]

Growing International and Domestic Competition

- California ports face growing competition from Canadian and Mexican port expansion projects, as well as from East Coast and Gulf ports once the planned expansion of the Panama Canal is completed in 2014.

- Vancouver, Canada's largest container port has increased container throughput at an annual rate of 12% since 1980, faster than the growth rate of any U.S. West Coast port. Container traffic in Vancouver is expected to triple by 2020, and Vancouver hopes to increase its share of West Coast trade from 8.5% in 2008 to 12% in 2020.[29]

- Mexico has several port expansion projects underway, including the flagship project at Punta Colonet. However, the Mexican port infrastructure sector has suffered from tight credit and the 2009 contraction in global trade. [30]

- As of June 2009, at least four port expansions, including Punta Colonet, had to be cancelled or differed by the Mexican government due to lack of private sector interest. Demand for Mexican port facilities has also shrunk since the start of the economic down turn.[31]

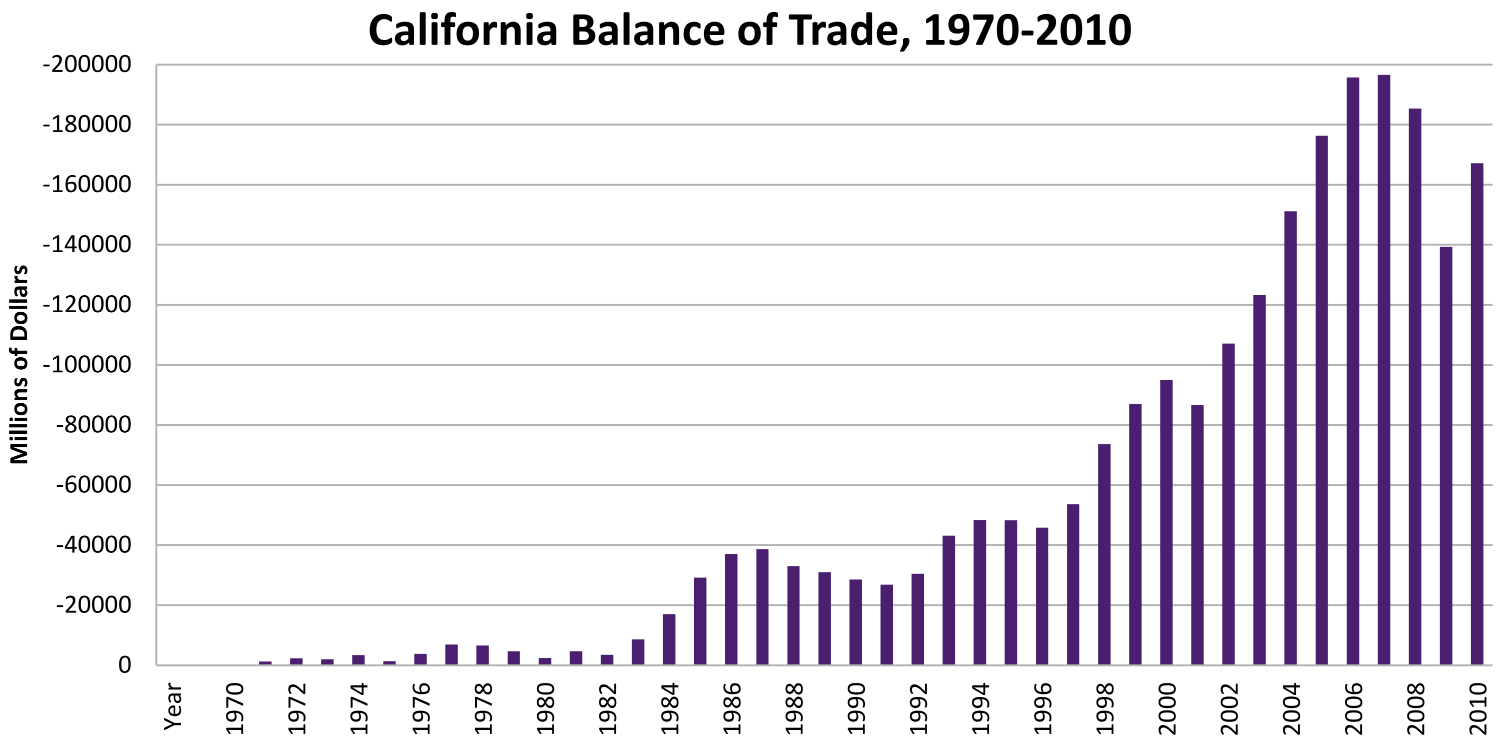
- Port authorities on the east coast of the United States have planned more than $10 billion in port development projects in preparation for opening of the Panama Canal expansion according to the Port of New Orleans. The five largest projects are planned by Houston ($4.6 billion); Tampa ($1.6 billion); Charleston ($857 million); the Virginia Port Authority ($701 million); and Port Everglades ($572 million).[32]

Foreign Investment in California

- U.S. majority owned affiliates of foreign corporations owned $11.7 trillion in U.S. assets and had $3.5 trillion in annual sales in 2008. U.S. affiliates of foreign multinationals contribute 11.3% of total U.S. private investment and 14.3% of total private R&D.[33]

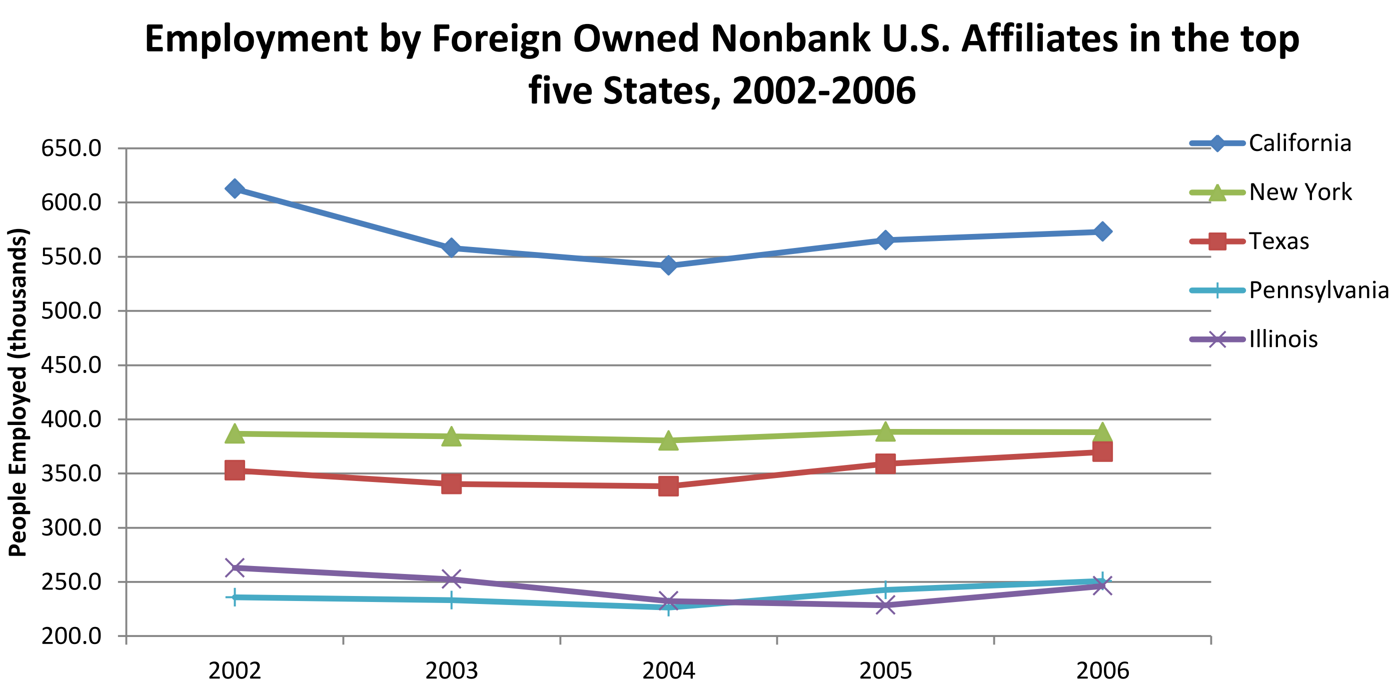
- U.S. affiliates of multinational companies are typically high-productivity firms that are major private sector contributors to national efforts to innovate and build according to the President's Council on Economic Advisors.[34]

- Foreign controlled companies employed 594,100 Californians in 2008, more than any other state. Foreign investment was responsible for 4.6% of the state's total private-industry employment that year.[35]



- In terms of employment, Japan was the greatest source of FDI in 2008, employing 118,900 Californians. Japan was followed by the UK (84,100), France (61,000), Germany (60,700), and Switzerland (57,500)[36]

- While California remains the largest recipient of foreign direct investment in the United States, faster FDI growth is occurring elsewhere according to the Kyser Center for Economic Research. From 1999 to 2005 the level of gross property, plant, and equipment of all non-bank affiliates in California grew by 10.7%, compared to 20.6% nationally, 95.9% in Kentucky, 50.0% in Colorado, 46.2% in Massachusetts, and 26.7% in New York.[37]



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